POSITION PAPER

EAPN Assessment of the 2015 Country-Specific Recommendations

KEY MESSAGES

1) **Rebalance the Semester, with Europe 2020 vision of smart, sustainable and inclusive growth and targets at heart.**

2) **Move from austerity to social investment, backing quality social protection and services, with inclusive taxation.**

3) **Give CSRs on poverty to all Member States, and require integrated anti-poverty strategies drawing on 20% of ESF.**

4) **Invest in quality job creation, supporting positive activation within active inclusion.**

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On May 15 the Commission adopted their proposals for the Country-Specific Recommendations (CSRs). EAPN responded with an immediate [Press Release](). This paper sets out the main messages and recommendations from a more detailed assessment of the CSRs, as regards their delivery on the Europe 2020 Strategy targets on poverty reduction, employment and education. A detailed country by country analysis is annexed.

Key Recommendations

1) **Rebalance the Semester and put Europe 2020 vision of inclusive, sustainable as well as smart growth and the targets at the heart.**
2) **Move from austerity to social investment, backing adequate minimum income and quality social protection and services financed through inclusive taxation.**
3) **Give CSRs consistently on poverty to all Member States and require integrated anti-poverty strategies, supported by 20% ESF funding.**
4) **Invest in quality job creation, supporting positive activation within active inclusion.**

Main Messages

Sidelining Inclusive Growth and Europe 2020 endangers social and sustainable vision

The CSRs for 2015, are refocused on Juncker's priorities reflected in the Annual Growth Survey: boosting investment, structural reforms and fiscal consolidation, with no reference to Europe 2020 priorities or targets. This raises concerns about the loss of the Europe 2020 strategic vision for a new type of inclusive and sustainable growth, rather than growth and jobs alone - as well as a undermining commitments to an explicit social dimension based on the targets, particularly the poverty, employment, education ones.

Austerity continues to undermine investment with few signs of social investment

The macroeconomic CSRs 1 and 2 remain dominant, with little evidence of a more balanced social and economic approach. Despite the AGS priorities, austerity is the main priority for ¾ MS, with cost-cutting and increasing market potential for key public services the focus (particularly health and housing) rather than ensuring affordable access. Whilst the CSRs on tax evasion and increasing collection are welcomed, the priority to 'Growth-friendly tax' (shifting tax from labour, reducing corporation tax and increasing regressive VAT) misses opportunities for promoting 'inclusive growth-friendly' tax that can adequately finance social protection systems and close the inequality gap eg progressive income tax, wealth, inheritance, property taxes etc. Investment surprisingly is highlighted only in a minority of MS and often through improving the 'business environment', with a few specific proposals on infrastructure, primarily through private investment leverage. Social investment, particularly in public services is disappointingly absent, apart from Germany where public investment is also proposed in education.

Decline in Poverty CSRs, despite increasing poverty, with no integrated strategy

The number of CSRs on poverty are reduced from 12 to 6 (2014), (BG, CZ, HU, IE, RO, SK); despite nearly 1 in 4 people in the EU being at risk of poverty (121.3 million), an increase of 5 million since 2008, and an *increase* in poverty in 2/3 of Member States since last year[1]. Although there are some individual positive measures: increased affordable, quality childcare, adequacy of income support, inclusive education particularly for Roma, the recommendations overall appear piecemeal and lack coherence. The majority are employment focused. Social protection including minimum income is generally approached as a 'cost' not a benefit nor a long-term investment with a few recommendations on adequacy. Implementation of the Social Investment Package recommendations, particularly on Investing in Children, tackling homelessness and implementing integrated active inclusion, are notably absent. A consistent approach proposing an integrated anti-poverty strategy based on access to quality jobs, social investment in quality services and social protection is a missed opportunity, as well as reference to the key role of the 20% of ESF that will be spent to support the target.

Employment by negative activation, not quality jobs and personalized active inclusion

The overall approach to employment remains closely linked to boosting competitiveness, getting people off welfare benefits, and keeping wages low. No mention is made of job creation or quality work. Despite significant growth in in-work poverty rates, in-work poverty is only mentioned in 2 MS (BG, SI) with highly ambiguous solutions proposed. Most worryingly positive activation with personalized approaches previously proposed in 16 countries has been effectively replaced by a more punitive approach to the poor: 'reducing disincentives to work' through negative activation where often vulnerable people are forced into jobs at any price, through tightened eligibility, conditionality and threats of sanctions on benefits.

Thematic Analysis

Macroeconomic

- **Austerity is still the main priority.** 18 Member States continue to get CSRs to reduce deficits (AT, DK, EE, HU, BE, BG, CZ, HR, FI, FR, IE, MT, PL, PT, RO, SK, ES, UK), with only 4 asked just to continue the work done in this area (AT, DK, EE, HU), with the rest under excessive deficit procedures. Only 4 CSRs specifically mention cuts or controls on expenditure (BE, HR, FR, PT), but it is often implied in the preamble.

- **Small shift to investment, but not social investment[2].** The need to promote investment is recognized in the Preamble to the CSRs (BE, CZ, HU, RO, SK) emphasizes the need to improve the business environment but mainly through the removal of administrative and regulatory barriers and intervention on taxation (HU).
  Some preambles (BE, PT, RO, UK) refer to the promotion of investment on infrastructure such as railways or roads, but not social investment. 6 Member States receive CSRs to promote public and private investment (BG, DE, FR, NL, PL, SI). Another 4 (DE, NL, PL, SK) call for investment in infrastructure and R&D. <u>Only in the case of DE</u>

[1] EU SILC 2013

[2] The overall investment approach to CSRs 2015 follows three main priorities: 1) **Removing barriers to financing and supporting investment; 2) Improving the business environment and productivity:** the regulatory and administrative environment must be modernised as part of efforts to improve the investment climate. 3) **Adapting public finances to make them more supportive to growth. This last priority undermines the room for manoeuvre for public investment, which in turn reveals the Commission approach towards private investments rather than public ones**

does the CSR call for public investment also for education. 3 Member States (BG, DE, FR) refer to measures related to the improvement of the investment climate. However, these are mainly requirements to intervene on the fiscal side, reducing corporate tax (DE and FR), tax on production (FR) and modernising tax administration (DE).

- **Growth-friendly, rather than Inclusive and Progressive Tax, but action on tax evasion and collection**. 15 Member States receive CSRs on taxation (BE, BG, HR, CZ, FR, DE, HU, IE, IT, LU, LT, PL, PT, RO, SK) with a focus on 'growth-friendly' and 'efficient taxation' (BE, DE). Broadening the tax base (BE, FR, IE, LT, LU) and explicitly shifting tax away from labour (BE, DE) are highlighted, with some positive recommendations to reduce tax on low incomes in CZ, DE, HU, LV and LT. However, increasing or limiting use of reduced rates in VAT, is a key recommendation (HR, IE, FR, PL) without mention of regressive impact on low income households, who spend proportionately more of their income on basic goods and services. Meanwhile, tax cuts - reducing productivity and corporate tax are prioritized in some Member States (FR, DE) with no proposals to outlaw flat, regressive taxation which add to growing inequality or proposing wealth taxes. However, more positive steps are taken encouraging recurrent property tax (HR, LU) and increasing tax compliance and collection (BE, FR, HU, IT, LT, PT, RO, SK), as well as fighting tax evasion (CZ HU). Only Luxembourg receives a CSR on environmental taxation.

- **Increasing competition and privatization, but no consideration of social impact.** 5 Member States receive CSRs requiring increased competition and privatisation in public contracts (CZ, DK, FI, EE, IT). However, there is no requirement to support social clauses, or look at social impact on jobs and services. Loosening public procurement procedures (CZ, HU) and driving privatization (IT) particularly in services (EE) are the main priorities.

Poverty

- **Reduced CSRs on Poverty despite increase in poverty**. Only 6 Member States receive specific CSRs on 'poverty' (BG, CZ, HU, IE, RO, SK), compared to 12 last year. In general the poverty target is not mentioned in the Recommendations, nor in the Preamble, despite the fact that 121.3 million people, 1 in 4 in the European Union, are at risk of poverty and social exclusion. In Bulgaria, in-work poverty is highlighted. While the CSRs include some positive recommendations regarding addressing the poverty risk of children in Ireland, or increased support for education for Roma (in Hungary and Romania), or adequacy and coverage of benefits (HU), poverty surprisingly is not specifically addressed in the CSRs themselves and most key target groups are not mentioned – eg migrants, homeless, people with disability or health problems.

- **Piecemeal proposals that lack coherence**. There is a lack of coherence, consistency, and ambition about the proposals, with no visible support for integrated antipoverty/social inclusion strategies, unlike previous years. The overwhelming focus is on jobs, with an ambiguous reference to in-work poverty, without proposing ways of ensuring access to quality jobs (BG, HR, RO). EAPN finds a disturbing support to increasing conditionality on minimum income benefits which penalizes the poor, increasing hardship, linked to avoiding 'disincentives to work' rather than concerns about adequacy and effective integrated active inclusion support into quality jobs and social participation. Other Social Investment Package priorities like Investing in Children or Tackling Homelessness are also absent.

Minimum Income and Social Protection

- **Adequacy of minimum income low priority.** 6 Member States (BG, LV, LT, PT, RO, ES) received CSRs regarding minimum income. Whilst 3 get welcome requirements on adequacy (LT, HU and PT), and Romania a requirement to establish a minimum insertion income, the majority emphasize the link to activation, and ambiguous statements on levels to avoid 'disincentives' to work. Spain is ambiguously asked to 'streamline' Minimum Income and to foster regional mobility, but not about tackling adequacy of benefits and the mounting problem of large numbers falling outside the benefit system, including youth and families.

- **Targeting social protection and social security systems.** 3 Member States (BG, FR and IE) get CSRs, which focus on sustainability, requiring cuts in social security budgets (FR), and reforms to improve targeting, which are likely to undermine universal systems. Ireland receives a positive CSR on tapering withdrawal of benefit on return to work, challenging a key poverty trap for people returning to work.

- **Raising retirement ages without ensuring adequacy of pensions.** CSRs on pensions are an increasing priority for 15 Member States (AT, BE, HR, FI, FR, DE, LV, LT, LU, MT, NL, PL, PT, RO and SK). Raising retirement ages is the main focus, closing the gap between statutory and effective retirement (LU and NL), discouraging early exit (HR, DE, FR) or reducing exclusion clauses which gave preferential treatment to difficult jobs (PL, HR), eg miners and farmers in Poland. In Austria and Romania, equalizing retirement for men and women is the priority. Only in Latvia, as part of a requirement for a comprehensive reform, adequacy of pensions mentioned.

Access to Services

- **Health and Long-Term Care - cost effectiveness, not quality of service.** 10 Member States receive CSRs on health reform (BG, HR, CZ, FI, IE, LV, RO, SK, SI, ES), with the main focus on reducing costs – eg, highlighting pharmaceutical pricing (ES) and shifting focus from hospitals to primary care (IE, HR, SK). Austria and Slovenia receive CSRs on long-term care. Comprehensive health and long-term care reform is called for in Slovenia, clearly focused on financing, whilst in Latvia and Romania accessibility is importantly highlighted as an issue (in the case of Romania, combined with low funding and inefficiency). Only in Finland is quality mentioned, whilst prioritising cost effectiveness and productivity.

- **Boosting housing market, not increasing access to affordable homes.** 4 Member States (IE, NL, SE and UK) get CSRs on housing but mainly focused on increasing supply through supporting growth in the housing market, rather than considering affordable access. The measures proposed are restructuring debt and mortgages (IE), deregulating planning powers (UK), fostering competition and revising rent-setting mechanisms to allow more 'market-orientated' rents (SE, NL). No call is made at any point to ensure access to affordable housing, and increase investment in social housing, particularly for those on low incomes. Nor is growing homelessness addressed.

- **Childcare linked to women's employment rather than quality early learning.** 7 Member States (AT, CZ, EE, IE, RO, SK and UK) receive CSRs related to childcare and early learning. Most focus on increasing childcare as a response to a key barrier to women's employment. However, a broader 'investing in children approach' would have been expected, but only Romania's CSRs refers to quality services, and to early childhood education and care, combined with a national strategy for early learning. Specific concerns about early learning for Roma is voiced in SK.

Employment and Education

- **Positive activation with personalised approaches replaced by reducing "disincentives to work".** The overall approach to employment remains closely linked to boosting competitiveness, getting people off welfare benefits, and keeping wages low. Only 2 Member States (HU, PL) received CSRs on pathway, personalised approached and outreach employment programmes, compared to 16 last year. Additionally, 4 countries (BE, HR, FR, SK) received CRSs on tweaking the benefit system as leverage, in an attempt to eliminate the so-called "disincentives to work". This spells out quite clear support for what EAPN deems as negative activation, where people are forced into jobs, through tightened eligibility, conditionality and sanctions on benefits.

- **Downward pressure on wages and no attention paid to in-work poverty.** 9 CSRs refer to wage-setting mechanisms, but 7 of them (BE, HR, FI, FR, LU, PT, ES) call for wage moderation, to boost competitiveness and encourage job creation. This is a decrease from 10 countries in 2014, who were encouraged to lower wages. The exceptions are Estonia and Hungary, where the Recommendations refer to reducing the pay gap and improving the situation of low-wage earners. In-work poverty is only mentioned twice (BG, SI), in an ambiguous sentence, that says "In consultation with social partners and in accordance with national practices, establish a transparent mechanism for setting minimum wage and minimum social security contributions in the light of their impact on in-work poverty, job creation and competiveness".

- **No mention of investment in quality, sustainable job creation.** Just like 2014, there is no mention of job creation, nor of quality of work and employment, except for references to labour market segmentation and the dangers of atypical contracts in three countries (DE, FR, PL). On the other hand, France is worryingly encouraged to address the "rigidities" on its labour market.

- **Young people prioritised, but Youth Guarantee no longer mentioned.** Only 8 Member States (AT, EE, FI, IT, PT, RO, ES, UK) received Country-Specific

Recommendations regarding young people, compared to 21 countries in 2014. None of the 8 Recommendations this year mention the Youth Guarantee. This year, however, only 8 countries have received CSRs relating to the labour market integration of youth, and none of them mention the Youth Guarantee. Equally, the number of CSRs mentioning specific support to the long-term unemployed has decreased from 13 in 2014 to only 3 in 2015 (FI, RO, SK).

- **Integrated, holistic Active Inclusion approaches completely missing.** No mention is made of holistic Active Inclusion approaches, except for a vague reference in the CSRs for Bulgaria: "Develop an integrated approach for groups at the margin of the labour market, particularly older workers and NEETs."

- **Inclusive education not prioritised, and less attention is paid to training and skills.** Regarding education, ending segregation, particularly for Roma children, is mentioned for 5 Member States (BG, CZ, HU, RO, SK). Inclusive education is only supported in the CSRs of Hungary, while only 2 CSRs (MT and RO) refer to the school-leaving target. This is a slight decrease from 2014, when 9 countries received CSRs on quality, inclusive education. Training and upskilling also receive much less attention this year: only 6 countries received CSRs about improving access to training and vocational education (BE, EE, FI, HU, IT, LV), compared to 12 CSRs last year, particularly on skills mismatching.

INFORMATION AND CONTACT

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The European Anti-Poverty Network (EAPN) is an independent network of nongovernmental organisations (NGOs) and groups involved in the fight against poverty and social exclusion in the Member States of the European Union, established in 1990.

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